

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



November 4, 2014

Caroline Burris – Board Chair  
Book’Em  
161 Rains Avenue  
Nashville, TN 37203

Dear Ms. Burris:

Please find attached the Monitoring Report of the Book’Em relating to the contract it had with the Metropolitan Government of Nashville and Davidson County for the fiscal year ending June 30, 2014.

The Office of Financial Accountability is charged with the responsibility of monitoring grant funds, including Community Enhancement Funds, from Metropolitan Nashville Government to any nonprofit organization. Staff from the Office of Financial Accountability conducted the review on September 24, 2014.

We appreciate the assistance provided by your agency during the course of the review. If you have any questions, please call me at 615-862-6712.

Sincerely,

*Kevin Brown*

Kevin Brown

cc: Melissa Spradlin, Executive Director  
Richard M. Riebeling, Director of Finance  
Talia Lomax-O’neal, Deputy Director of Finance  
Gene Nolan, Deputy Director of Finance

Fred Adom, Office of Financial Accountability  
Kim McDoniel, Chief of Accounts  
Mark Swann, Internal Audit  
Essie Robertson, Office of Financial Accountability  
Brad Thompson, Office of Financial Accountability



Metropolitan Government of Nashville and Davidson County

# Book'Em

◆ Monitoring Report ◆

Conducted by



**Office of Financial Accountability**

November 4, 2014

# MONITORING REPORT

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## TABLE OF CONTENTS

INTRODUCTION .....	5
OBJECTIVES, SCOPE AND METHODOLOGY .....	6
RESULTS OF REVIEW .....	7
FINDINGS AND RECOMMENDATIONS .....	11

## INTRODUCTION

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The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of Book’Em. A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Book’Em or any of its component units. The OFA is responsible for the internal monitoring of Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”) agencies that receive federal and state financial assistance, including cooperative agreements and non-profit organizations that receive appropriations and Community Enhancement Funds from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The purpose of this review was to assess the agency’s compliance with contractual requirements set forth in the following contract with Metro Government:

<b>Contract</b>	<b>Type</b>	<b>Amount</b>	<b>Contact Term</b>	
L-3086	Community Enhancement Funds	\$4,500	July 1, 2013	June 30, 2014

### **Agency Background**

Book’Em is a nonprofit 501c3 organization that focuses on two core areas: the collection and distribution of books to children and teens in lower-income families who might not otherwise have books of their own; and providing volunteer readers to local preschools and elementary schools.

Book’Em carries out its mission to empower Nashville’s economically disadvantaged children by fostering a love of books and reading through the following programs: Books for Kids Nashville, Reading Is Fundamental, Ready for Reading, and Read Me Day.

## OBJECTIVES, SCOPE AND METHODOLOGY

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The objectives of our review were:

- 1) To determine whether the agency had the resources and capacity to administer the grant funds.
- 2) To determine if costs and services were allowable and eligible.
- 3) To verify that program objectives were met.
- 4) To test the reliability of the financial and programmatic reporting.
- 5) To verify contractual compliance.

The scope of our review was limited to the contract term July 1, 2013 through June 30, 2014.

Audit procedures included meeting with agency management and staff, reviewing the design of internal controls as a basis for establishing our testwork, reviewing board minutes and obtaining written representations from management. In addition, we examined certain financial records and supporting documentation necessary to ensure compliance with contractual requirements set forth in contract L-3086. Specific procedures included:

- Interviewing the employees responsible for grant management, financial reporting and accountability.
- Reviewing supporting documentation of expenditures for allowability, necessity and reasonableness.
- Reviewing the agency's general ledger and verifying the accuracy of all invoices submitted to Metro.
- Reviewing documentation to determine that funds were used for intended beneficiaries and expended in accordance with the spending plan of the contract.
- Reviewing documentation to support program activities for consistency with grant requirements.
- Assessing the financial stability of the agency and its ability to continue to administer the grant program funded by Metro.

## RESULTS OF REVIEW

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### SUMMARY OF RESULTS

Criteria	Yes	No
Sufficient Resources and Capacity to Administer Funds?	✓	
Costs and Services Allowable and Eligible?	✓	
Program Objectives Met?	✓	
Reporting Requirements Met?	✓	
Sufficient Internal Control Environment?		✓
Compliance with Civil Rights Requirements?	✓	

## RESULTS OF REVIEW

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The overall results of the monitoring review are provided in this section. Results are based on testwork performed and include conclusions regarding specific review objectives and, if applicable, recommendations for improvement and an action plan for implementation. Where applicable, the Findings and Recommendations section of this report provides more insight into any issues identified below.

### **1. Sufficient Resources and Capacity to Administer Grant Funds**

Our review of the agency's accounting system and the qualifications of the individuals assigned to manage the accounting records indicate that the agency possesses the necessary resources and professional expertise to effectively administer the grant funds.

### **2. Allowable and Eligible Costs and Services**

Our review covered all of the core compliance areas identified by OMB Circular A- 133: *Audit of States, Local Government, and Non-Profit Organizations*. Costs incurred by the agency complied with applicable guidelines stated in OMB Circular A-122.

Additionally, the Metro Grants Manual requires separate accounting of the Metropolitan Nashville Government grant funds to prevent co-mingling of Metro Funds with other sources of funding. The agency is in compliance with this requirement. Different revenue classes as well as expenditure classes have been established to separately track the sources and amounts of funding. Also, the agency can easily and accurately report their expenses supported by the Metro Appropriation.

Based on our test work, costs and services during the period were allowable and eligible.

### **3. Program and Performance Objectives**

The contract stipulates that the agency shall use the funds to serve at least 150 low-income students at Kirkpatrick Enhanced Option Elementary School with the following outcomes:

## RESULTS OF REVIEW

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- Together the students will select at least 1,800 books to become their own.
- Reading role model volunteers from the community will visit each classroom 8 times (96 visits)
- 75% of the students (at least 112 students) will self-report a positive attitude toward reading.

Based on our review of program documentation and discussions with staff, program performance objectives were met and the agency is in compliance with contractual program objectives.

### **4. Reliability of Financial and Programmatic Reporting**

The contract requires submission of an annual audit report performed by a Certified Public Accountant. The contract also requires the agency to submit to Metro year end reports of the program outcome and a final expenditures report, no more than 45 days after the close of the contract.

We reviewed all applicable financial and programmatic reports required by the contract, including audited financial statements. Based on our review, the agency complied with all financial and programmatic reporting requirements.

### **5. Internal Control Environment**

In order to determine the adequacy of the design of internal controls, we obtained and reviewed an independent auditor's report on internal control over financial reporting and/or a completed internal control questionnaire. This audit procedure was performed solely as a basis for determining our test work and to assist us in making suggestions for improvement to management. We did not evaluate the operating effectiveness of internal controls over financial reporting.

Our review of the design of the agency's internal controls did reveal some control deficiencies. Furthermore, suggestions for improvement in internal control activities were brought to management's attention. See Finding #1, in the Findings and Recommendations Section, for more details.

### **6. Civil Rights Requirements**

Our review did not reveal anything to indicate that the agency was noncompliant with civil rights requirements. The agency also has necessary written policies and procedures relating to civil rights. The agency has not received any complaints regarding any form of discrimination. Further, civil rights and ADA postings are publicly displayed.

### **1. Internal Control Environment Needs Improvement**

#### **Finding**

As reported in 2009, we noted certain weaknesses in the agency's internal control environment. We found that Book'em does not adequately segregate certain financial activities necessary for effective control over cash receipts. More specifically, the same employee who prepares the daily Bank Deposit also makes the Bank Deposit and opens the Bank Statements. Bank deposits typically consist of financial contributions in the form of cash or check. Bank reconciliations are also performed by this individual, along with one other employee.

Employees who have access to the accounting system or who are responsible for making bank deposits should not also be allowed to prepare the deposits and open or reconcile bank statements. This is considered an improper segregation of duties. Proper segregation of duties reduces the possibility of an employee both perpetrating and concealing errors or fraud in the normal course of his or her duties.

We discussed the issue with the agency and they indicated they may try to have the treasurer perform one of these functions.

#### **Recommendation:**

The agency should segregate the functions of recording cash receipts, depositing cash receipts and reconciling bank statements. If necessary, additional staff should be considered to assure proper segregation of duties. If deemed cost prohibitive, the Board of Directors should engage in more active oversight and participation in regard to certain operational activities, especially those related to cash receipts. This will minimize the current risks posed by the absence of properly segregated internal control activities.

## FINDINGS AND RECOMMENDATIONS

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### **Corrective Action Plan Required**

Please submit a corrective action plan indicating the actions the agency intends to take to correct the findings identified in this report. The corrective action plan should be submitted within 30 days from the report date to the address below:

Division of Grants Coordination  
PO Box 196300  
Nashville, TN 37219  
ATTN: Dennise Meyers